

Message Text

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AMEMBASSY TOKYO

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INFO AMEMBASSY BANGKOK

AMEMBASSY HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

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E.O. 11652: NA

TAGS: ENRG SN

SUBJECT: PETROCHEMICAL COMPLEX UPDATE

REF: (A) STATE 046577 (NOTAL), (B) 75 SINGAPORE A-153 (NOTAL)

SUMMARY: IN UNEXPECTED NEW DEVELOPMENT, SUMITOMO APPEARS TO BE SEEKING TO PULL OTHER MAJOR JAPANESE PETROCHEMICAL FIRMS INTO PROJECT, WHICH IS NOW SOMEWHAT UP IN THE AIR. ECONOMIC DEVELOPMENT BOARD EITHER DOES NOT KNOW OR IS NOT SAYING WHAT IS HAPPENING. MEANWHILE, TENDERS FOR SITE PREPARATIONS HAVE BEEN LET. PROSPECTS FOR PARTICIPATION BY US FIRMS AT PRESENT DO NOT LOOK PROMISING. END SUMMARY.

1. SINGAPORE PRESS REPORTED FEBRUARY 25 THAT SUMITOMO CHEMICAL IS HUNTING FOR NEW PARTNERS FOR PROPOSED PETROCHEMICAL PROJECT. ACCORDING TO STRAITS TIMES. SUMITOMO HAS INVITED MITSUBISHI CORPORATION AND SIX OTHER JAPANESE "GIANTS" TO PARTICIPATE. THESE REPORTEDLY INCLUDE
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MITSUI, ASAHI PETROCHEMICAL, SHOWA ELECTRICAL AND

NIPPON PETROCHEMICAL.

2. ECONOMIC DEVELOPMENT BOARD (EDB) CONFIRMED THAT THERE IS SUBSTANCE TO PRESS ACCOUNT, WHICH REPRESENTS SIGNIFICANT DEPARTURE FROM ORIGINAL PLAN FOR SUMITOMO TO OPERATE UPSTREAM NAPTHA CRACKER ON 50-50 JOINT VENTURE BASIS WITH GOS. AN EDB PROJECT OFFICER TOLD COMMATT THAT THIS MOVE ON PART OF SUMITOMO CAME AS "SOMETHING OF A SURPRISE" TO THEM. HOWEVER, NOTHING DEFINITE HAS

BEEN DECIDED AND LATEST SUMITOMO MOVE TO INCLUDE NEW PARTNERS IS STILL ONLY IN "SOUNDING STAGE," ACCORDING TO EDB.

3. IT ALSO IS NOT CLEAR IF PROPOSED ZAIBATSU PARTICIPATION WOULD BE IN UPSTREAM, DOWNSTREAM, OR BOTH, ALTHOUGH BOTH SEEM LIKELY. SUMITOMO IS BELIEVED INTERESTED IN REDUCING ITS CAPITAL INVOLVEMENT IN PROJECTPAVN AND INTEREST OF SEVERAL OF ORIGINAL DOWNSTREAM PARTICIPANTS IN PROJECT, ESPECIALLY HOECHST AND TOYO SODA, IS KNOWN TO HAVE SIGNIFICANTLY WANED.

4. EDB OFFICIAL WAS AT LOSS FOR WORDS WHEN ASKED IF THERE MIGHT NOW BE ROOM FOR US FIRMS TO PARTICIPATE IN DOWNSTREAM PROJECTS. FINALLY, HE SAID HE "JUST COULDN'T SAY," BUT THAT THE MATTER WAS BEING APPROACHED "LIKE A JAPANESE NATIONAL PROJECT" AND THAT BORADER JAPANESE PARTICIPATION WOULD INCREASE CHANCES FOR JAPAN EXIM BANK PARTICIPATION.

5. FOR SOME TIME, THERE HAS BEEN SPECULATION IN BUSINESS CIRCLES IN SINGAPORE THAT SUMITOMO HAS BEEN STRECHING OUT PRELIMINARY STUDIES AND DRAGGING ITS FEET IN ATTEMPT TO DELAY START OF PROJECT AS MUCH AS POSSIBLE. SOME OBSERVERS HAVE CONSEQUENTLY QUERIED WHETHER OR NOT PROJECT MIGHT BE DEAD. OTHERS FEEL THAT SUMITOMO WANTED TO SEE IMPROVED MARKET PROSPECTS BEFORE GOING AHEAD, AND THAT FROM MARKETING STANDPOINT, THE PROJECT WOULD MAKE MORE SENSE COMING ON STREAM IN 1981 THAN IN 1979 AS ORIGINALLY ANNOUNCED.

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6. GOS HAS STEADFASTLY TAKEN PUBLIC POSITION THAT THE PROJECT IS ON TRACK. TENDERS ARE DUE BY END OF FEBRUARY FOR SITE PREPARATION WORK ON PROJECT SITE AT PULAU AYER MERBAU. CONTRACTS FOR THIS RECLAMATION WORK SHOULD BE AWARDED BY MID-1976 AND WORK COMPLETED WITHIN 18 MONTHS AFTER THAT DATE.(BOTH THE UPSTREAM AND DOWNSTREAM PROJECTS WOULD BE LOCATED ON OFFSHORE

ISLAND, PULAU AYER MERBAU. GOS IS ALSO JOINING THREE OTHER SMALL ISLAND TO MAKE ONE LARGE ISLAND AS A POSSIBLE SITE FOR ADDITIONAL PETROCHEMICAL PROJECTS.) PORT OF SINGAPORE AUTHORITY (PSA) IS SUPERVISING SITE PREPARATION. SHORT LIST FOR RECLAMATION PROJECT REPORTEDLY INCLUDES ONE SINGAPORE FIRM AND FIVE JAPANESE COMPANIES, INCLUDING KAJIMA AND PENTA-OCEAN. SUMITOMO AND GOS ARE JOINTLY FUNDING THE SITE CLEARANCE.

7. TO DATE, NO MAIN CONTRACTOR HAS BEEN SELECTED FOR NAPHTHA CRACKER. THE JAPAN GASOLINE COMPANY (JGC) APPEARS TO BE FRONT RUNNER BECAUSE OF ITS LONG-STANDING RELATIONSHIP WITH SUMITOMO CHEMICAL COMPANY. JGC ALSO DID FEASIBILITY STUDY ON SINGAPORE PROJECT. DECISION ON MAIN CONTRACTOR WOULD BE MADE BY CENTRE COMPLEX COMPANY, WHICH HAS YET TO BE FORMED.

8. STONE AND WEBSTER (USA) HAVE A PROPOSAL OUTSTANDING WITH SUMITOMO TO DO THE ETHYLENE PROCESS WORK, AND WOULD APPEAR TO HAVE GOOD CHANCE IF AND WHEN PROJECT MOVES FORWARD.

9. AS FAR AS EMBASSY CAN DETERMINE, SUMITOMO AND GOS HAVE NEVER SIGNED ANY AGREEMENT FOR OTHER THAN A FEASIBILITY STUDY, ALTHOUGH A LETTER OF INTENT WAS SIGNED IN JANUARY.

10. AT PRESENT, PROJECT SEEMS VERY MUCH UP IN THE

AIR. NEW JAPANESE MOVE TO BROADEN PARTICIPATION, AND EDB IGNORANCE OF THIS MOVE, PROMPTS SUSPICION THAT GOS MAY HAVE APPROACHED GOJ AT A HIGHER LEVEL TO SAVE PROJECT AND GET IT MOVING. ANOTHER EXPLANATION FOR LIMITED OFFICIAL USE

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RECENT DEVELOPMENTS MAY BE THAT SUMITOMO IN PARTICULAR AND JAPAN INCORPORATED GENERALLY BE MANEUVERING TO WIGGLE OFF THE PETROCHEMICAL HOOK IN SINGAPORE.

11. IN EMBASSY VIEW, IF SOLID JAPANESE OR OTHER FOREIGN BACKING NOT SOON FORTHCOMING, PROJECT WILL BE IN SERIOUS TROUBLE. ON OTHER HAND, IF IT EVENTUALLY DOES GO FORWARD WITH BROADER JAPANESE PARTICIPATION, OPPORTUNITIES FOR SUPPLY OF US SERVICES/PRODUCTS WILL BE FEW.

12. USDDC/BIC/MEPD MAY WISH TO TOUCH BASE WITH STONE AND WEBSTER FOR ITS READING OF CURRENT DEVELOPMENTS: MR. G.O. NEIMEYER, PROJECT MANAGER, PROCESS INDUSTRIES GROUP, STONE & WEBSTER ENGINEERING CORPORATION, 225 FRANKLIN STREET, BOSTON, MASS. 02107, TEL: (617) 434-5927.

13. FOR TOKYO AND OSAKA; WOULD APPRECIATE YOUR ASSESS-
MENT OF LIKELIHOOD THAT COMPANIES MENTIONED PARA 1 WILL ENTER
INTO SINGAPORE PETROCHEMICAL VENTURE.
HOLDRIDGE

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